

Statement below taken from AFP website:

http://www.afpnet.org/ka/ka-3.cfm?content_item_id=24583&folder_id=2545

ASSOCIATION OF FUNDRAISING PROFESSIONALS RESPONDS TO L.A. TIMES REPORT ON FUNDRAISING INEFFICIENCIES

(July 14, 2008) The Los Angeles Times published a story on Sunday, July 6, reporting that only a small percentage of money reaches California nonprofits when they use a for-profit fundraising company to raise funds.

The article, "For-profit fundraisers collect loads, but nonprofits see a sliver," reports that "In more than 5,800 campaigns on behalf of charities that were registered with the state attorney general from 1997 to 2006, the fundraisers reported taking in \$2.6 billion. They kept nearly \$1.4 billion -- about 54 cents of every dollar raised."

The article goes on to say that "Though commercial fundraisers are required to file detailed fundraising reports with the state, many do not, and the law is not aggressively enforced because of limited staffing."

These reports are startling and are based on statistics compiled by the California Attorney General's office. But little context was offered to readers about the scope of the problem and that there are clear ways to determine how a charity's donations are being used.

The report from the California Attorney General also says, "It is important to note, however, that most of the 93,000 charities registered with the Attorney General do not use commercial fundraisers to raise funds."

It is certainly of great concern when the majority of a person's donation to a for-profit fundraising company—often collected through expensive telemarketing services—do not reach the nonprofit or the mission it serves.

But, as AFP states in a letter to the editor it sent recently to the Times, the article leaves out important details—such as the relatively small proportion of donations raised by for-profit fundraising firms and the very small percentage of charities that employ them.

The article does raise a valid concern, but it does not distinguish the several hundred charities employing for-profit fundraising companies from the tens of thousands in California that do not. It also does little to educate donors on how to avoid these inefficient uses of donations.

The letter, sent by Janice H. Rice, CFRE, president of the AFP Greater Los Angeles Chapter, notes that the worst offenders listed in the Times article likely practice percentage-based fundraising, a violation of AFP's code of ethics. In fact, the California Attorney General's report states that "The commercial fundraiser charges charities a flat fee or a percentage of the contributions collected on behalf of the charities."

Rice said the following in her letter to the editor:

"Fundraising firms should not take a percentage of each contribution raised because it often leads to abuse, such as the example of firms taking 85 percent of each gift. There is no percentage that is good; charities should pay their fundraising firms a set fee or salary, like any other professional. And donors should ask during phone calls if the firm is accepting percentage-based compensation. If they are, the donor should consider donating to someone else, or send a check directly to the charity."

Rice also notes that "telemarketing can be an effective way of raising public awareness, but it's not uncommon for a charity to lose money on the first or even second round of telemarketing for new donors."

“If donors want to contribute to a charity,” Rice concludes, “but are worried about a nonprofit’s costs to raise funds, take a look at its financial statements—which, by law, a charity must provide or post on its website—over a period of years. (A donor may also try a website like Guidestar (www.guidestar.org) which provides financial information about charities to the public.) Are costs going up, or are they being contained? Are you comfortable with the charity’s overall financial situation? Looking at the larger picture can help donors find reputable and effective charities so they know their money will be put to good use.”

Janice H. Rice, CFRE, president of the AFP Greater Los Angeles Chapter, with advice from AFP staff, sent a Letter to the Editor to the Los Angeles Times on July 9 to provide context to its article on for-profit fundraising companies, the scope of their use and how donors can avoid inefficient use of their charitable donations.